



AN AUDIT OF THE UNIVERSITY OF TEXAS SYSTEM

AUDIT REPORT #720-25-01
NOVEMBER 20, 2025

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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The objectives of this audit were to determine whether the University of Texas System (System):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2023, through Nov. 30, 2024.

BACKGROUND

For more than 140 years, the University of Texas System has improved the lives of Texans — and people all over the world — through education, health care, and research. With an enrollment of more than 256,000 students at [academic and health institutions](#) across the state, as well as an operating budget of \$30.9 billion, the UT System is one of the largest public university systems in the nation and the world.

University of Texas System website
<https://www.utsystem.edu/>



AUDIT RESULTS

The System largely complied with the General Appropriations Act (GAA), relevant statutes, and Comptroller requirements. Auditors found one issue each in payroll, purchasing, and travel. The System should consider making improvements to these processes.

The auditors reissued two findings from the previous audit conducted at the System related to incorrect employee state service and vendor compliance verifications. Auditors originally issued these findings in October 2021. An overview of audit results is presented in the following table.



TABLE SUMMARY

| AREA | AUDIT QUESTION | RESULTS | RATING |
|--|--|--|----------------------------|
| Payroll Transactions | Did payroll transactions comply with the GAA, pertinent statutes, and Comptroller requirements? |  Incorrect longevity and hazardous duty pay amounts | Compliant, Findings Issued |
| Purchase, Payment Card and Contract Transactions | Did purchase, payment card, and contract transactions comply with the GAA, pertinent statutes, and Comptroller requirements? |  Missing vendor compliance verifications | Compliant, Findings Issued |
| Travel and Travel Card Transactions | Did travel and travel card transactions comply with the GAA, pertinent statutes, and Comptroller requirements? | Missing evidence of cost comparison | Compliant, Findings Issued |
| Fixed Assets | Were tested assets in their intended location and properly reported in the State Property Accounting system? | No issues | Fully Compliant |
| Targeted Analysis | Did targeted analysis transactions comply with the GAA, pertinent statutes, and Comptroller requirements? | No issues | Fully Compliant |

 Repeat Finding

KEY RECOMMENDATIONS

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations for the System include:

- Provide hazardous duty and longevity policy and procedure training to personnel to ensure employees only receive the entitlements for which they are eligible.
- Complete all required vendor compliance verifications and maintain documentation of completed verifications.
- Update its travel policy to require a cost comparison to determine the most cost-effective method of travel.



DETAILED FINDINGS

PAYROLL TRANSACTIONS

Auditors developed a sample totaling \$627,703.89 from a group of 25 employees involving 336 payroll transactions to ensure the System complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#), and pertinent statutes. Audit tests revealed the following exceptions in this group of transactions. Additionally, a limited sample of 10 voluntary contribution transactions was audited with no exceptions identified.

INCORRECT LONGEVITY AND HAZARDOUS DUTY PAYMENTS

Auditors identified three employees with incorrect state effective service dates which resulted in over and underpayments of hazardous duty and longevity pay. One employee was underpaid hazardous duty pay, one was underpaid longevity pay, and one was overpaid longevity pay.

Longevity and hazardous duty pay are additional payments added to the salary of employees who have remained in state service or in a hazardous duty state position for a certain amount of time. The payments increase with additional years of employment. For long-time employees who are also on hazardous duty, the rules for calculating and paying each type are complex and staff needs training to properly apply them. See [Texas Payroll/Personnel Resource – Agency Specific Provisions – Hazardous Duty Pay](#) and [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#). In either case, accurate details of an employee's state service history are critical. The System is responsible for obtaining and verifying these details.

Of the three exceptions auditors found, two employees were not credited with state service time for prior hazardous duty or longevity eligible employment; one employee was hired mid-month and was given lifetime service credit for the full month rather than the partial month. As a result, the hazardous duty lifetime service date recorded by the System was not correct.

RECOMMENDATION/REQUIREMENT

The System must provide hazardous duty and longevity policy and procedure training to personnel to ensure employees only receive the entitlements for which they are eligible. The System must verify prior state service for employees to ensure they are receiving state service credit for longevity payments, and lifetime service credit for all eligible periods of employment in hazardous duty positions.



The System should consider recovering the hazardous duty and/or longevity overpayments made to employees in accordance with [Texas Government Code, Chapter 666](#), if it is cost effective to do so. Additionally, the System must compensate the employees who were underpaid hazardous duty and/or longevity pay. See [34 Texas Administrative Code Section 5.40\(c\)](#).

SYSTEM RESPONSE

To address the audit finding regarding hazardous duty and longevity pay eligibility, UT System has implemented the following measures:

Staff Training: *Relevant personnel have been retrained on policies and procedures governing hazardous duty and longevity pay to ensure accurate application of entitlements.*

Pre-onboarding Verification: *Since 2019, UT System has required all candidates selected for hire to complete a pre-onboarding form that captures prior state service employment. This form helps verify eligibility for longevity and hazardous duty pay. In addition to the pre-onboarding form, UT System reviews the candidate's state employment history using the Comptroller of Public Accounts portal to ensure accurate service credit is applied. Employees who were underpaid due to missing service records, were hired prior to the implementation of the 2019 procedures.*

Correction of Underpayments: *The two underpayments were identified and corrected, with compensation issued to impacted employees in the August 2025 pay period.*

PURCHASE TRANSACTIONS

Auditors developed a sample of 40 purchase transactions totaling \$20,155,613.18 and 10 payment card transactions totaling \$42,118.40 to ensure the System complied with the GAA, [eXpendit \(FPP I.005\)](#), and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

MISSING VENDOR COMPLIANCE VERIFICATION

WARRANT HOLD

Auditors identified one (out of 10) payment card transaction where the System did not document the verification of the vendor's warrant hold status before making the purchase. [Texas Government Code Section 2252.903](#) requires state agencies and institutions of higher education to verify a vendor's warrant hold status before making a credit card purchase over \$500.

The credit card purchase was included on a transaction log form that prompts the purchaser to affirm they have verified the vendor's warrant hold status for each purchase over \$500. However, the purchaser and a manager signed the log without completing this information. The System was unable to produce other documentation



as evidence to support compliance with the requirement. This oversight creates a risk of the System inadvertently paying a vendor that may not be eligible for payment under the law.

OFAC CHECKS

Auditors determined that four of 40 purchase and procurement transactions did not include documentation verifying the vendor was not on the Office of Foreign Asset Control (OFAC) list of specially designated nationals and blocked persons at the time of purchase. Executive Order 13224 forbids transfer or payment of money to individuals or organizations on the OFAC master list. Inadvertently making a payment to a listed entity violates this order. Presence on the OFAC list can be verified by entering the vendor's identity on the SAM.gov website. The System does not have the OFAC verification for contracts executed prior to Dec. 2, 2021 because the System was not verifying vendor status prior to that time. From that date forward, the System has used automated vendor verification software that includes a check of OFAC.

IRAN, SUDAN, AND FOREIGN TERRORIST ORGANIZATION CHECKS

The System was unable to provide proof that staff conducted the Iran, Sudan, and foreign terrorist organization checks for four transactions prior to purchase. Agencies and institutions of higher education may not contract with a company doing business with Iran, Sudan, or a foreign terrorist organization, according to [Texas Government Code Section 2252.152](#). The [lists](#) are maintained by the Texas Treasury Safekeeping Trust Company and are posted on the Comptroller's website. For contracts executed prior to Dec. 2, 2021, the System did not have verification against Texas divestment lists because the System was not verifying vendor status prior to that time. From that date forward, the System has used automated vendor verification software that includes a check of Texas divestment lists.

RECOMMENDATION/REQUIREMENT

The System must perform all required vendor compliance verifications before doing business with a vendor. To preserve a record of vendor compliance, the System must also maintain a copy of the verification results and include them with the purchase or contract development files. Care should be taken not to dispose of any records when moving to a new verification system.

SYSTEM RESPONSE

VENDOR WARRANT HOLD CHECK: *UT System agrees with the finding and acknowledges that the Vendor Warrant Hold Check on one ProCard transaction over \$500 was identified. All cardholders have been reminded of the requirement to note the vendor hold check date on the log for any ProCard purchase over \$500. The requirement for the Vendor Warrant Hold Check for purchases over \$500 has been added to the Annual ProCard Training.*



OFAC CHECKS AND IRAN, SUDAN, AND FOREIGN TERRORIST ORGANIZATION CHECKS:

Contracts and Procurement (CnP) conducts a Vendor Compliance Check prior to any contract award and retains the documentation in the contract software system using the software platform, Descartes Visual Compliance. The Descartes Visual Compliance is the platform used for vendor compliance checks for potential risks associated with foreign adversaries and sanctions, including Iran, Sudan, and foreign terrorist organizations, and the Office of Foreign Asset Control, OFAC. CnP confirms that all CnP personnel are trained and have license access to the Descartes software tool to conduct vendor verification checks. Completed date was Aug. 31, 2025 and we are current with this requirement.

TRAVEL TRANSACTIONS

Auditors developed a sample of 25 travel transactions totaling \$9,521.21 to ensure the System complied with the GAA, [Textravel \(FPP G.005\)](#), and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.

MISSING EVIDENCE OF COST COMPARISON

Auditors found four travel reimbursements for mileage in a personal vehicle, for which there was no documented evaluation of the most cost-effective way to travel. Agencies and institutions of higher education are required by [Texas Government Code Section 660.007](#) to conserve state funds and select the most cost-effective means of travel. If the System does not evaluate whether driving a private vehicle, renting a car, or flying is more cost effective for each trip, it risks overpaying for employee travel. Although conservation of funds is a System policy requirement, documenting a cost analysis is not currently in System policy and does not appear in other travel files. The System relies on supervisor review and approval of travel plans. The Comptroller's [Textravel](#) website provides a tool that can help compare, for example, [personal vehicle mileage cost against the use of a rental car](#).

RECOMMENDATION/REQUIREMENT

The System must update its travel policy to require documentation of alternatives when considering mileage in the employee's personal vehicle.

SYSTEM RESPONSE

The UT System travel policy will be updated to require evidence of the comparison when employees use a personal vehicle. This policy change will be disseminated to employees and enforced during expense report auditing.



FIXED ASSETS

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location. Audit tests revealed no exceptions in these transactions.

TARGETED ANALYSIS

The audit included targeted analyses outside the main samples of payroll, purchase, and travel transactions. Using Comptroller statewide financial systems and the Citibank CitiManager Reporting System, auditors generated several special reports to analyze additional processes relevant to the audited agency. Such processes may include interagency transfers, refunds to payroll, proper coding of payment card transactions, and others. Audit tests revealed no exceptions in the System's targeted analysis reports.



APPENDICES

APPENDIX 1 — OBJECTIVES, SCOPE, METHODOLOGY, AUTHORITY AND TEAM

AUDIT OBJECTIVES

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the statewide financial systems.
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded.

AUDIT SCOPE

Auditors reviewed a sample of the University of Texas System (System) payroll, purchase, and travel transactions that processed through the statewide financial systems from Dec. 1, 2023, through Nov. 30, 2024, to determine compliance with applicable state laws.

The System received detailed information about the identified errors. This information may be requested through a [Public Information Act](#) inquiry.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The System should implement the recommendations listed in the Detailed Findings of this report. It is the System's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure the System's documents comply in the future. The System must ensure the findings discussed in this report are resolved.

AUDIT METHODOLOGY

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

FIELDWORK

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.



If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

AUDIT AUTHORITY

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

AUDIT TEAM

Scott Coombes, CTCM, CTCD, CISA, Lead Auditor

Amanda Price, CTCM, CTCD, CFE, Payroll Auditor

Scottie Compton, CTCM, CTCD, Purchase and Procurement Auditor



APPENDIX 2 — DEFINITION OF RATINGS

COMPLIANCE AREAS

| DEFINITION | RATING |
|---|----------------------------|
| Agency complied with applicable state requirements and no significant control issues existed. | Fully Compliant |
| Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed. | Compliant, Findings Issued |
| Agency failed to comply with applicable state requirements. | Noncompliant |
| Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records. | Scope Limitation |

REPEAT FINDING ICON DEFINITION



This issue was identified during the previous post-payment audit of the agency.